



KARLA W. CORCORAN

INSPECTOR GENERAL

March 13, 2003

Mr. Dennis Shea
Executive Director
President's Commission on the United States Postal Service
1120 Vermont Avenue, NW, Suite 971
Washington, DC 20005

Dear Mr. Shea:

Please find attached my letter to Vincent Palladino, President of the National Association of Postal Supervisors, addressing an assertion in his February 12 comment that this office is "an operationally redundant entity." Mr. Palladino mistakenly asserts that the Postal Service Office of Inspector General is redundant because its functions are duplicated by the General Accounting Office (GAO) and the Postal Inspection Service. This is not the case.

The Inspector General Act expressly requires the Office of Inspector General to conduct, supervise, and coordinate audits and investigations. See IG Act, 5 U.S.C. App. 3, section 4(a)(1). In carrying out these duties, the Act also requires us to "give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring effective coordination and cooperation." 5 U.S.C. App. 3, section 4(c). Thus, as a matter of law, as well as a practical matter, we coordinate our reviews with the GAO to avoid duplication of effort and ensure adequate coverage of postal programs and operations. We meet regularly with GAO officials to coordinate our efforts. Clearly, Congress intended for our office, an executive branch entity, to coordinate with the GAO, a legislative branch entity, in fighting fraud, waste, and abuse in government programs and operations.

As explained in my letter to Mr. Palladino, the GAO generally conducts audits and investigations at the request of Congress. Many of these reviews are high-level and often involve multiple agencies and programs. My office conducts many more audits and investigations of particular Postal Service programs, operations, and individuals. We receive requests and information from a variety of postal stakeholders, including the general public, mailers, employees, and management. As a practical matter, the GAO does not conduct the numerous, in-depth audits and program reviews necessary for meaningful oversight of a large and complex operation like the Postal Service.

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Mr. Palladino's claims regarding duplication of efforts by the Inspection Service and my office are similarly unfounded. Congress anticipated significant coordination between my office and the Inspection Service. The Act states that my office "may initiate, conduct and supervise such audits and investigations in the United States Postal Service as the Inspector General considers appropriate." IG Act, 5 U.S.C. App. 3, section 8G(f)(3)(B)(i). The Act also requires that this office "give particular regard to the activities of the Postal Inspection Service with a view toward avoiding duplication and insuring effective coordination and cooperation." IG Act, 5 U.S.C. App. 3, section 8G(f)(3)(B)(ii).

We have worked closely, and we believe successfully, with the Inspection Service to insure effective coordination and avoid duplication of effort. Since our inception in 1997, we have operated under a formal designation of functions, approved by the Postal Service Governors, which ensures that the delineation of functions between the Postal Inspection Service and this office is clearly understood by both agencies. For example, my office, and not the Inspection Service, now performs all postal audits. In addition, the OIG has oversight responsibility for all Inspection Service activities.

In 1996, Congress recognized the need to establish this office to provide, for the first time, an independent oversight body to review the Postal Service's programs and operations. Congress' effort continues to bear fruit. We have identified over \$2.2 billion in monetary benefits over the six years of our existence to the benefit of ratepayers and all Americans. The establishment of my office has complemented the existing work being performed by the GAO and the Inspection Service; has improved audit and investigative coverage over programs and operations; and has added an independent and objective overseer within the Postal Service that keeps Congress and the Governors informed.

If you or your staff have any questions, please contact Tom Sharkey, Special Assistant to the Deputy Inspector General, or me, at 703-248-2300.

Sincerely,



Karla W. Corcoran

Attachment

cc: Governors of the United States Postal Service
Mr. Potter
Mr. Nolan
Ms. Gibbons
Mr. Strasser
Mr. Johnstone



KARLA W. CORCORAN

INSPECTOR GENERAL

March 10, 2003

Mr. Vincent Palladino
President
National Association of Postal Supervisors
1727 King Street, Suite 400
Alexandria, VA 22314-2753

Dear Mr. Palladino:

Your February 12 comment to the President's Commission on the U.S. Postal Service stated that this office "undermines the health and profitability of the Postal Service," and that "the Office of Inspector General constitutes an operationally redundant entity." We are concerned about your statements and feel it necessary to clarify your understanding.

The primary purpose of the Inspector General is to prevent, detect and report fraud, waste and program abuse. However, the Postal Inspection Service and General Accounting Office do not duplicate these functions.

By mandate, our mission is to conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations which promote economy, efficiency, and effectiveness. In addition, we have oversight of all Postal Inspection Service activities. However, we do not manage day-to-day Inspection Service operations and we do not duplicate Inspection Service functions. For example, the Inspection Service no longer performs any postal audits; we do them all. I have included a copy of the designation of functions between the Inspection Service and the Office of Inspector General, so that you can clearly see there is no duplication of effort.

The General Accounting Office sometimes conducts its own audits and investigations on the Postal Service but they are done at the bequest of Congress and for Congressional purposes. We conduct our audits at the request of Postal Service management, Congress, the Governors, individuals who call our hotline number (888) USPS-OIG, and others, including

management associations, and the unions. For practical purposes, the General Accounting Office cannot conduct the numerous, in-depth audits and program reviews necessary for meaningful oversight of a large and complex operation like the Postal Service.

In 1996, Congress recognized the need to establish the Postal Service's Office of Inspector General to provide, for the first time, an independent oversight body to review the Postal Service's programs and procedures. In fact, shortly before Congress passed legislation creating the first independent Inspector General for the Postal Service, the General Accounting Office issued a report finding that the Postal Inspection Service was not organizationally independent of Postal Service management and could not issue independent objective audit reports.

We have identified over \$2.2 billion in potential monetary benefits for the Postal Service. This represents a 675% return on the ratepayer's investment in this organization. It's clear we improve, rather than undermine, the health and profitability of the Postal Service. During these recent trying years, and facing the challenges ahead, we believe we are needed now more than ever as the Postal Service moves forward in the future, whatever direction it takes. We are an asset to the Postal Service and the American public.

As a final note, we would be pleased to speak before your members to inform them about our work and how we make a difference, and also how we can work together to improve the Postal Service.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Karla W. Corcoran', written in a cursive style.

Karla W. Corcoran

Attachments

cc: Mr. Shea
Mr. Johnson
Mr. Pearce

Designation of Functions

Office of Inspector General

- **Audit**
 - All audits
- **Disbursement Investigations**
 - Contract/procurement fraud
 - Improper expenditures except cash and money orders
 - IMPAC Card
- **Health Care Fraud - USPS Nexus**
 - Provider and contractor fraud
 - Health benefit program fraud
- **Employee Corruption**
 - Bribery
 - Gratuities
 - Conflict of Interest
- **Computer Intrusion**
- **Fraud Awareness Briefings Related to OIG Responsibilities**
- **Security Programs**
 - Employment backgrounds (as requested by the Board of Governors)
- **Executive Investigations**
 - Excludes crimes of violence
- **Qui Tam**
- **Tort Claim Fraud**
- **Inspection Service Oversight**

Joint Functions

- Responsibility for e-business/e-commerce will be determined in accordance with the principles set forth in this document.
- Future e-commerce activities will be reviewed jointly by the OIG and IS on an ongoing basis.

Postal Inspection Service

- **Revenue/Financial Investigations**
 - Theft or embezzlement of postal cash and money orders by employees and others where there is no formal contract
 - Fraudulent activity relating to mailings, postage, and meters
- **Fraudulent Workers' Compensation**
- **Fraud against Consumers, Business, and Government (Non-Postal)**
- **Health Care Fraud - Other**
- **Security Consultation on Electronic Products and Services**
- **Crime Prevention and Security**
- **Crimes of Violence**
- **Drugs in the Workplace**
- **Mail Theft**
- **Prohibited Mailings**
 - Child Exploitation
 - Bombs
 - Drugs
- **Robberies**
- **Burglaries**
- **Money Orders, Financial Instruments, and Postal Property Crimes**
- **Security Programs**
 - Facilities, Mail, and Products
 - Employee Background Investigations
 - Emergency Preparedness
 - International Security
 - Service Investigations
- **Asset Forfeiture Program**

Functional Area	Description	IC	IS
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1. Frauds Against USPS (Contract/Procurement Fraud) (EI)

- Contract Fraud (Including Small Purchases & all IMPAC)

Product Substitution	Crimes committed by contractors (subcontractors) who provide products and/or services, which do not meet contractual specifications.	X
Defective Pricing	Contractors misrepresent and certify their costs and pricing data on contract proposals.	X
Cost Mischarging	Contractor transfers/misallocates costs from one cost object to another in order to be reimbursed.	X
False Billing	Contractor bills for goods, services, or level of professional skill that is not provided.	X
All False Claims to USPS	Contractor bills for goods, services, or level of professional skill that is not provided.	X
All False Statements to USPS	Contractor bills for goods, services, or level of professional skill that is not provided.	X
Antitrust Involving Postal Contractors	An illegal conspiracy among postal contractors to fix prices on postal contracts.	X
Kickbacks	An illegal relationship between contractor and subcontractor in which something of value is exchanged for subcontractor work.	X

2. Theft of USPS Funds (FI)

- Theft/Embezzlement of Funds

Theft or embezzlement of postal funds by postal employees, contractors, or non-employees with direct nexus to the USPS (FI). Examples of FI investigations include: embezzlement of accountability (window and vending), COD, Customs, Postage Due, and USPMO funds; meter funds, trust funds, and Express Mail funds; postage embezzlement-overcharging; stamp stock destruction; embezzlement where there is no formal contract and payment is made in cash or money orders; falsification of performance, productivity, payroll and other financial records.	X
Theft or embezzlement of USPS funds resulting from improper expenditures, including compromise of program integrity.	X

Functional Area	Description	IG	IS
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3. Fraud

- Health Care Fraud – USPS Nexus	Frauds related to federal health care programs involving postal funds. This includes frauds related to FECA and FEHPB programs involving postal providers and contractors, and frauds related to FEHBP recipients.	X	
- Fraudulent Workers' Compensation	Investigation of Fraudulent Workers' Compensation (FWC) claims made by individual USPS employees.		X
- Health Care Fraud - Other	Investigation of health care fraud where there is no nexus to the USPS (fraud against business – for private insurers and fraud against government – for Medicare/Medicaid).		X
- Fraud Against Consumers	Use of the mail to defraud consumers.		X
- Fraud Against Business	Use of the mail to defraud businesses or organizations.		X
- Fraud Against Government (non-postal)	Use of the mail to defraud government agencies (other than the USPS).		X

4. Revenue Investigations (RI)

- Mailing	The defrauding of the USPS mail acceptance process by misrepresenting the class of mail, the volume of mail, the qualification for discounts, the amount of postage affixed, eligibility for special rates, or participation in alternate mail acceptance programs.		X
- Postage	The re-use, washing, forging, copying, or imitating of US stamps and obligations with a view to deceiving or defrauding. USPS items subject to counterfeiting: stamps, postage meter stamps including PC generated indicia, postmarks and postmarking equipment, permit imprint indicia, and postal cards and letters.		X
- Meters	The defrauding of the USPS by obtaining USPS funds or services by utilizing metered or PC generated postage where the USPS has not received payment. This includes the physical manipulation of postage meters and other postage devices as well as the manipulation of the setting process. Applies to both USPS and vendor-leased meters and postage printing devices. Also includes investigations into the security of meters and postage printing devices, and their parts and supporting systems, under the control of vendors.		X
- Miscellaneous	Includes attempts to defraud the USPS through other revenue streams or postage payment methods not specified above.		X

Functional Area	Description	IG	IS
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5. Corruption of Any USPS Employees

- Bribery	The direct or indirect offering, giving, or promising anything of value to a public official by an individual to influence an act or decision.	X	
- Gratuities	Lesser offense of bribery. Item of value does not have to directly influence an act or decision.	X	
- Conflicts of Interest	Involves USPS officials personally benefiting directly or indirectly from their official acts.	X	

6. E-business, E-commerce, Computer Intrusions

- Computer Intrusion	Unauthorized access, or exceeding authorized access, to USPS computers to attack the infrastructure of the USPS, including systems and data.	X	
- Security	Security consultation on electronic products and services.		X
- Other Forms of Postal Related E-commerce/ E-business	Investigative responsibility regarding these activities will be determined in accordance with the principles set forth in this document. Future e-commerce activities by the USPS will be reviewed on an ongoing basis by the OIG and IS.	X	X

7. Prevention

- Fraud Awareness	Coordinate and conduct crime prevention and awareness programs related to OIG investigative responsibilities.	X	
- Crime Prevention and Security	Coordinate and conduct crime prevention and awareness programs related to Inspection Service investigative and security responsibilities.		X

8. Crimes of Violence

- Homicides	Homicides of, or committed by, USPS employees or contractors when there is a nexus to employment.		X
- Assaults by Non-Employees	Assaults on USPS employees (including contractors) by non-employees when there is a nexus to employment.		X
- Threats by Non-Employees	Threats against USPS employees and contractors by non-employees when there is a nexus to employment.		X
- Assaults by Employees	Assaults committed by USPS employees when there is a nexus to employment.		X
- Threats by Employees	Threats made by USPS employees when there is a nexus to employment.		X
- Suicides	Suicides of USPS employees or contractors.		X

Functional Area	Description	IG	IS
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9. Drugs in the USPS Workplace

- Employee Narcotics Involvement	Use, possession, handling, or dealing of illicit drugs by an USPS employee with nexus to employment.		X
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10. Mail Theft

- Theft and Mistreatment of Mail	Destruction, mistreatment, rifling, theft or possession of stolen mail.		X
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11. Prohibited Mailings

- Drug Trafficking	Use of the mail to traffic in illicit drugs, paraphernalia, drug proceeds and the laundering of drug money.		X
- Obscenity in the Mail	Use of the mail to distribute illegal pornographic material.		X
- Bombs	Use of the mail to transport a bomb or hoax device. Placement of an explosive device in postal facilities, equipment, or receptacles. Bomb threats.		X
- Child Exploitation	Use of the mail to commit offenses related to the sexual exploitation of children.		X
- Hazardous and Other Miscellaneous Prohibited Material in the Mail	Use of the mail to transport prohibited hazardous materials and/or to commit illegal acts (e.g. extortion).		X

12. Robberies

- Robberies	Robbery of USPS employees or contract employees, drivers or facilities for mail, USPS funds or USPS property.		X
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13. Burglaries

- Breaking and Entering/Burglary	Unauthorized entry, or attempted entry, into a post office, station, branch, or contract station to obtain mail, USPS funds, or USPS property.		X
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Functional Area	Description	IG	IS
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14. Property & Other Miscellaneous Crimes

- Money Orders & Other Financial Instruments	All crimes associated with USPS money orders and other financial instruments, including theft, unlawful possession, counterfeiting, wrong payment, raised money orders, or the structured purchase of USPS financial instruments for money laundering purposes.		X
- Vandalism/Damage/Theft of Property	Vandalism, arson, or other damage to, or theft of, postal property or mail receptacles.		X
- Miscellaneous Crimes	Impersonation of postal employees, unlawful entry to postal facilities, unlawful possession of weapons, theft of keys, counterfeit keys, etc.		X

15. Security Programs

- Facilities, Mail and Products	Develop design criteria for security systems for the safeguarding of postal employees and the work environment, to protect USPS revenue and assets and to provide integrity of the postal system; develop policies and procedures on mail transportation security; develop security policies and practices for the production or transportation of high-risk documents (stamps and money orders); and develop policies on information security.		X
- Employee Security Program	OIG employee screening and other employee security matters.	X	
- Background Investigations	Employment screening of USPS personnel.		X
	Employment screening of select senior USPS officials (PMG, CPI, and others as requested).	X	
- Emergency Preparedness	Security related plans for work stoppages, natural disasters, and civil disorders. Contingency planning for bombs and bomb threats, fires, airplane/truck/train accidents, etc.		X
- International Security	Support worldwide security networks with an emphasis on airport security reviews, security training, prevention of international and military mail losses, and dangerous goods through the mail.		X
- Service Investigations	Review postal operations to include mail condition systems that could have a direct impact on the security of the mails and where there is a potential criminal violation.		X

Functional Area	Description	IG	IS
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16. Executive Investigations

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| - PCES | Any offense by any USPS employee in the PCES/ISES grades, except crimes of violence. | X |
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17. Civil False Claims

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|---------------|---|---|
| - Qui Tam | As required by the False Claims Act, 31 USC § 3729. | X |
| - Tort Claims | Investigation of alleged false claims as requested by U.S. Attorney's Offices and USPS General Counsel. | X |
| - PFCRA | As required by 31 USC § 3801. | X |

18. Other

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| - Asset Forfeiture | Administration of the Postal Service Asset Forfeiture Program. | X |
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Forensic capabilities will be determined by the investigative jurisdiction described in the matrix.

19. OIG Oversight

Nothing in this document shall be viewed as a limitation on the statutory obligation and authority of the OIG to oversee the operations of the Inspection Service.

20. Audit

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|---------------------------|--|---|
| - All Audits for the USPS | All audits, evaluations, and reviews of Postal Service programs and operations including, but not limited to, (1) financial, performance and contract audits; (2) advisory reviews; and (3) inspections. | X |
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The OIG will have the responsibility to conduct investigations involving any of the above listed violations when OIG employees or OIG controlled property, facilities, or equipment are involved.